

HOUSE COMMITTEE ON BUDGET

TESTIMONY OF
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ACTING INSPECTOR GENERAL OF THE DEPARTMENT OF STATE
AND BROADCASTING BOARD OF GOVERNORS

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Chairman Nussle and Members of the Committee:

Thank you for this opportunity to highlight recent work of the Office of Inspector General (OIG) directed toward working with the Department of State and the Broadcasting Board of Governors (BBG) to improve the efficiency and effectiveness of their respective programs and operations and to prevent fraud, waste, and mismanagement. Several of our reviews were initiated at the request of the Department and the BBG and designed to ensure that tax dollars were utilized prudently and focused where needed most.

Information Technology and Security

In the area of information technology, OIG has focused on the Department's vulnerabilities with respect to new technology and its efforts to develop new strategies for dealing with the communications challenges facing foreign affairs agencies. For example, we recently reviewed the Department's implementation of the Foreign Affairs System Integration (FASI) project. The Department was the lead agency in this global affairs initiative to acquire and test a standard system, featuring a web-based portal, applications, and tools for improved communications, information sharing, and knowledge management among U.S. foreign affairs agencies at overseas missions. In the past, each agency had its own information systems, which could not communicate easily with those of other organizations within a diplomatic mission, despite the need to share information on a variety of issues. OIG reviewed the FASI project, which was piloted at our embassy in Mexico City, and determined that the project was not meeting its objectives. Specifically, OIG found that FASI did not prioritize or obtain user input to

requirements sufficiently to ensure that only the most essential needs were met with the interagency system. FASI did not adequately coordinate with or consider using existing systems as potentially less costly alternatives to eliminate duplication. Interagency commitment to the system also was uneven due to inadequate marketing to other organizations whose support also would be critical to supporting global system deployment. Further, OIG found that the overseas pilot test of the interagency system was at risk due to poor timing, inadequate communications and coordination, ineffective content management, and system and technical difficulties. Due to these concerns, OIG recommended that, after completing the pilot test, the project be streamlined and redirected. In keeping with OIG recommendations, the Department discontinued the FASI project, thereby avoiding the cost of \$200 to 235 million to deploy globally the interagency system. The Department has merged FASI objectives with those of a related messaging system replacement initiative, which will allow for reexamination of user requirements and consideration of alternative approaches for meeting the knowledge sharing requirements of the Department and the U.S. foreign affairs community.

OIG conducted information technology (IT) inspections at four missions - Lisbon, Madrid, Montevideo and Buenos Aires - within the last six months to assess how information was handled and protected. These reviews identified several opportunities for improving IT management controls, operational controls and technical controls. In terms of management controls, OIG recommended that these missions periodically assess their IT security vulnerabilities and risks; prepare and implement IT security plans to mitigate the identified vulnerabilities and risks; and routinely review and improve the established IT security controls. With respect to operational controls, OIG recommended that the Department address security awareness problems by conducting training and by ensuring that the administrators assigned to embassies overseas have in-depth knowledge of appropriate security. Finally, concerning technical controls, OIG recommended that the Department improve the management of its access controls to prevent unauthorized access to systems; systems configuration, including compliance with the Department's baseline security settings; and audit trails to ensure individual or process accountability to enable the reconstruction of events, detect intrusions, and identify problems.

Internal Controls

OIG reviewed internal controls for several Department and BBG programs to reduce vulnerabilities for fraud, waste, and mismanagement in the areas of real property systems as well as use of the government purchase cards and the domestic travel card program. In our review of the Department's domestic travel card program, we examined the policies and procedures that were in place for managing the program. We noted that the Department had recently instituted several steps to improve the oversight of 90-day and 120-day past due categories of delinquencies on cards held by employees. However, the Department had not addressed the 60-day past due category of delinquencies, which may cause the commercial credit card provider to reduce the volume-based refund it gives the Department and can lead to account suspension, which may hinder an employee's ability to travel on Department business. Moreover, OIG determined that the Department had not done enough to prevent and detect misuse of the cards. As a result, OIG recommended that the Department improve and centralize its travel card regulations and that program coordinators and cardholders receive better training. We also concluded that the Department's Bureau of Resource Management was working with the Bureau of Human Resources, the Bureau of Diplomatic Security, and OIG to develop an acceptable notification process when employees misuse the cards or become delinquent with repayment. OIG also determined that the Department did not have adequate internal controls for providing administrative oversight of the program. For example, the Department did not ensure that program coordinators were managing an appropriate number of accounts; that accounts were transferred or canceled as needed, when, for example, an employee transferred or left the Department; and that multiple accounts for an individual employee were identified and cancelled. We recommended that the Department develop guidelines to address travel card delinquencies in the 60-day past due category, provide program coordinators with clear written guidance on an Intranet site and through formal training, and improve the oversight of the travel card program by checking for multiple accounts and transferring or canceling travel cards when an employee leave a bureau within the Department.

Our review of the Department's purchase card program was designed to evaluate the effectiveness of domestic operations for the program and determine whether the Department was achieving cost savings. We reported in 2001 that the program had experienced rapid growth in the number of cardholders since its inception and that the Department's customers were receiving goods and services more quickly under the program. However, we also found that part of the rapid growth in cardholders was attributable to purchase card users who made infrequent or no transactions, and, therefore, may not actually need the cards. Moreover, about 12 percent of the domestic transactions review by OIG lacked required documentation for OIG to independently verify that purchases were made properly and reconciled in a timely manner. Further, responsible officials interviewed by OIG had not conducted required annual reviews of their offices' purchase card operations. OIG also found that the Department's method for determining cost savings - the reduction in the number of paper purchase orders processed - does not necessarily capture the actual administrative cost reductions that have occurred. Finally, OIG found inappropriate procurement practices that, if changed, could yield additional cost or time savings for the Department. Based on OIG's report recommendations and observations on the purchase card program, the Department has addressed the documentation and annual review issues. Additionally, the Department has taken steps to examine low purchase card use and withdraw unneeded cards, clarify reporting on cost savings from the program, and explore additional cost avoidance measures. Subsequent to the 2001 report, OIG advised the Department in their efforts to identify cardholders, who do not comply with program requirements and track corrective actions. Finally, OIG suggested and the Department agreed to identify cardholder best practices that can be used throughout the program for improving the economy and efficiency of operations. This fall, OIG will closely review ways for optimizing the overseas use of purchase cards and for preventing waste, fraud, and mismanagement.

In our review of the Broadcasting Board of Governors (BBG) Controls on Domestic Personal Property, OIG examined whether the International Broadcasting Bureau (IBB) had established effective policies for inventory controls at six of its property management

units. OIG found that the IBB did not have fully functioning property management policies and procedures to ensure that government property was properly used and safeguarded. Furthermore, there was no evidence that a complete property inventory had ever been conducted by the IBB. Therefore, OIG made several recommendations, including conducting an agency-wide inventory to provide an accurate property baseline, implementing a plan for bringing the agency into compliance with applicable accounting and reporting requirements, and establishing a single, centralized receiving operation for all international headquarters' offices to ensure better accountability. The IBB generally agreed with our report and is taking steps to implement our recommendations.

Preventing Fraud

Central to OIG's portfolio for preventing fraud, waste, and mismanagement is our investigative work. We identified approximately \$2.5 million that had been embezzled from Embassy Lusaka as a result of a Foreign Service National directing funds to bank accounts associated with bogus vendors. OIG identified an additional \$850,000 that had been embezzled between May 1997 and June 2000 from the Miami Passport Agency for which two Department employees were indicted on a conspiracy charge and were ultimately sentenced for imprisonment. In a recent review of the Department's domestic passport operations, OIG found that a comprehensive set of internal control procedures for cashiering and blank passport book controls had been established. However, we also found that internal control procedures for cashiering had not been implemented consistently at five of the six passport agencies visited. In addition, OIG found that the Department's management internal control reviews were not conducted frequently enough to assess adequately their reliability. Finally, OIG concluded that the unannounced adjudication audit program is not achieving its primary objective of preventing and detecting malfeasance. The Department agreed with all of OIG's recommendations with the exception of requiring all passport agencies to perform daily reconciliations of the cash receipts and cash register summary reports.

Mr. Chairman, we have worked closely and collaboratively with Department and BBG senior managers to ensure accountability in programs and operations for these two agencies. We believe that this partnership has resulted in a more efficient and effective use of appropriated funds. Thank you.